

FISCAL NOTE

HB 3163 - SB 3740

February 11, 2008

SUMMARY OF BILL: Exempts from state and local sales and use tax separately metered water sold by a utility to a qualified farmer or nurseryman when such water is used directly in production of food or fiber for human or animal consumption or for growing of horticultural products.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$436,900

Decrease Local Revenue - \$168,200

Assumptions:

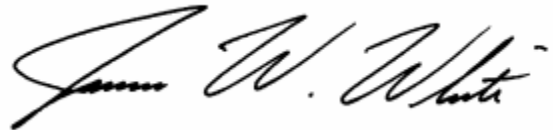
- “Utility” means any person, municipality, county, metropolitan government, cooperative, board, commission, district, or any entity created or authorized by public act, private act or general law to provide water for sale to consumers in any particular service area.
- According to the Department of Agriculture, this bill will not significantly impact departmental revenue or expenditures.
- According to the Department of Revenue, and based on data from the National Agricultural Statistics Service at the U.S. Department of Agriculture, total utility expenses of Tennessee farms in 2002 was \$51.7 million.
- 4% annual growth for utility expenses since 2002.
- 10% of utility expenses account for water consumption used for purposes specified in this bill.
- Taxable water consumption is estimated to be \$6,541,700 per year.
- The current state sales tax rate is 7.0%.
- The decrease of state sales tax revenue is estimated to be \$457,900 ($\$6,541,700 \times 7.0\% = \$457,919$) per year.
- Local governments receive 4.5925% allocation of state sales tax.
- The decrease of local government revenue attributable to the loss of state-shared sales tax revenue is estimated to be \$21,000 ($\$457,900 \times 4.5925\% = \$21,029$) per year.

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- The net decrease to state revenue is estimated to be \$436,900 (\$457,900 - \$21,000 local share = \$436,900) per year.
- The local option sales tax rate is estimated to average 2.25%.
- The decrease of local government revenue attributable to the loss of local option sales tax revenue is estimated to be \$147,200 (\$6,541,700 x 2.25% = \$147,188) per year.
- The total decrease of local government revenue is estimated to be \$168,200 (\$21,000 state-shared + \$147,200 local option = \$168,200) per year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/rnc